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MOL/

October 27, 2021

BSE Limited Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, MUMBAI - 400 001. **Scrip Code: 521018**	**National Stock Exchange of India Limited** Listing Department, Exchange Plaza, C-1, Block - G, Bandra-Kurla Complex, Bandra (East), MUMBAI - 400 051. **Scrip Code: MARALOVER**

Sub: Revision of Credit Rating

Dear Sir/ Madam,

We wish to inform you that the CARE Ratings Limited has reviewed and revised the Long Term and Short Term Bank Facility of the Company as follows;

Sr.No.	Facility	Rating	Rating Action
1	**Long-term Bank facilities**	CARE BBB; Stable (Triple B ; Outlook: Stable)	Revised from CARE-BBB-; Negative (Triple B Minus; Outlook : Nagative)
2	**Short-term Bank facilities**	CARE A3 (A Three)	Reaffirmed

Kindly take the same on records.

Thanking you,

Yours faithfully,
For **MARAL OVERSEAS LIMITED**

VIRENDRA KUMAR GARG
COMPANY SECRETARY
FCS-7321
Encl: As above

CARE Ratings
Professional Risk Opinion

No. CARE/DRO/RL/2021-22/2414

Shri. Atul Kumar Jain
Chief Financial Officer
Maral Overseas Limited
Maral Sarovar, V & PO Khalbujurg,
Tehsil Khasrawad, District Khargone,
Madhya Pradesh- 451660

October 26, 2021

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY21 (Audited) and Q1FY22, our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	141.46 (Enhanced from Rs.85.89 crore)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative)**
Short term Bank Facilities	203.00 (Enhanced from 184.78 crore)	**CARE A3 (A Three)**	**Reaffirmed**
Total	**344.46 (Rs. Three hundred forty-four crore and forty-six lacs only)**		

2. Refer **Annexure 1** for details of rated facilities.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

possible. In any case, if we do not hear from you by October 28, 2021, we will proceed on the basis that you have no any comments to offer.

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,

Sukhija

[Rajan Sukhija]
Lead Analyst
rajan.sukhija@careratings.com

[Sachin Mathur]
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Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	Export Import Bank of India	26.40	To be repaid 18 Quarterly Installments to ending March 2026.
2.	State Bank of India	17.25	To be repaid in 48 monthly installments starting January 2022
3.	Bank of Baroda	7.30	To be repaid in 26 Quarterly installments ending June 2029
4.	Bank of Baroda	7.14	To be repaid in 28 Quarterly installments ending June 2029
5.	Export Import Bank of India	6.74	To be repaid in 48 monthly installments starting June2022
6.	Union Bank of India	4.30	To be repaid in 48 monthly installments starting August 2022
7.	Central Bank of India	4.23	To be repaid in 48 monthly installments starting May 2022
8.	Bank of Baroda	4.22	To be repaid in 48 monthly installments starting March 2022
9.	Central Bank of India	3.69	To be repaid in 4 Quarterly Installments ending September 2022.
10.	State Bank of India	3.50	To be repaid in monthly installments ending June, 2022
11.	Canara Bank	1.74	To be repaid in 48 monthly installments starting April 2022
12.	Bank of Baroda	1.22	To be repaid in monthly installments ending June, 2022
13.	Central Bank of India	1.09	
14.	Canara Bank	0.64	
15.	Proposed	52.00	-
	Total	**141.46**	

Total Long Term Facilities : Rs.141.46 crore

2. Short Term Facilities

2.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	State Bank of India	74.63	Cash Credit
2.	Bank of Baroda	22.00	
3.	Central Bank of India	20.00	
4.	Union Bank of India	15.50	
5.	Canara Bank	11.50	
6.	Proposed	31.37	
	Total	**175.00**	

2.B. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	State Bank of India	14.20
2.	Bank of Baroda	5.48
3.	Canara Bank	2.05
4.	Central Bank of India	0.40
5.	Union Bank of India	0.40
6.	Proposed	5.47
	Total	**28.00**

Total Short Term Facilities : Rs.203.00 crore

Total Facilities (1.A+2.A+2.B) : Rs.344.46 crore

Annexure 2
Press release

Ratings

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long term Bank Facilities	141.46 (Enhanced from Rs.85.89 crore)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative)**
Short term Bank Facilities	203.00 (Enhanced from 184.78 crore)	**CARE A3 (A Three)**	**Reaffirmed**
Total	**344.46 (Rs. Three hundred forty-four crore and forty-six lacs only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Maral Overseas Limited (MOL) factors in improvement in operational performance of company marked by better profitability margins supported by demand-supply gap in the textile industry leading to healthy realizations and improved financial risk profile characterized by improvement in overall gearing and other debt coverage metrics. Further, the ratings continue to derive *strength from its strong parentage, experienced promoters and management team, its diversified product profile and established marketing tie-ups with leading apparel brands. The ratings are, further strengthened by the geographically distributed operations of the company with low customer concentration risk. The ratings are constrained by continuation of MOL under the ambit of Corporate Debt Restructuring (CDR) forum and susceptibility of its profitability margins to volatility in raw material prices, high working capital utilization and towards foreign exchange fluctuations risk and its presence in highly competitive market.*

Rating Sensitivities

Positive factors:

- Increase in total operating income of company to Rs. 800 crores with sustainable profitability margins.
- Overall gearing of less than 1.5x

Negative factors

- Deterioration in capital structure with overall gearing of more than 2.5x
- Lower than envisaged cash accruals adversely impacting the liquidity of the company

Detailed description of the key rating drivers

Key Rating Strengths

Improvement in operational performance: During FY21 (refers to the period from April 1, 2020 to March 31, 2021), MOL reported moderation by around 7% in its total operating income on account of major decrease in export sales which was primarily due to outbreak of COVID-19 pandemic across world. However, PBILDT margin of company have improved significantly to 9.27% in FY21 as compared to 2.78% in FY20 owing to decrease in cost of raw materials and improved sales realisations in Yarn segment. The decision of the US to impose sanctions on Xinjiang- derived cotton exports from China resulted in demand supply gap and export opportunity for India owing to which sales realizations of Indian textile industry improved. Further, company reported a PAT of Rs. 12.53 crore during FY21 against losses during FY20. During Q1FY22, operational performance of company has improved further, and company reported a total operating income of Rs. 227.87 Cr. with healthy PBILDT margin of 14.10% and PAT margin of 8.96%. During FY20, the losses were primarily in garment segment due to its low productivity and lower efficiency. However, during FY21, management of company took various measures to increase its productivity along with increase in customer base which resulted in improved profitability.

Improving financial risk profile: The capital structure of the company has improved with overall gearing of 2.43x as on March 31, 2021, from 3.20x as on March 31, 2020, on account lower working capital utilization as on March 31, 2021, coupled with improvement in net worth with accretion of profits. During FY21, debt coverage indicators like PBILDT Interest coverage and Total debt/GCA improved to 3.57x and 5.79x respectively (PY: 1.22x and 28.21x respectively). Further, interest coverage during Q1FY22 was 5.42x during Q1FY22. (PY: -1.21X)

Strong parentage: MOL is a part of LNJ Bhilwara group, which was established in 1960 by Mr. L N Jhunjhunwala. The group is a well-diversified conglomerate with interests in textiles, graphite electrodes, power generation & power engineering consultancy services and IT enabled services. LNJ Bhilwara group has its presence in the entire textile value chain from textile yarns to fabrics, knitwear and denims through its group companies namely BMD Pvt. Ltd. (rated CARE A; Negative/CARE A2+), Maral Overseas Limited, RSWM Limited and BSL Limited. The production units and corporate offices of the Group are spread over 38 locations in India, and the Group employs more than 26,000 people.

Experienced promoters and management team: MOL is currently headed by Mr. Shekhar Agarwal (MD) who did his B.Tech. (Mechanical Engineering) from IIT, Kanpur in 1975 and Master of Science in Industrial & Systems Engineering in 1976 from Illinois Institute of Technology, Chicago, USA. He has an experience of more than three decades in this line of business. He is well assisted by a management team having functional experience in related areas.

Diversified product profile and established marketing tie-ups with leading apparel brands: MOL is engaged in manufacturing of cotton yarn, knitted fabrics, processed fabrics and ready-made garments and has presence throughout the textile value chain. The company also owns a fully- integrated dye house plant with latest technology having facility for dying of yarn. The company sells its products in both domestic as well as export market and apart from this a significant portion of the cotton yarn and fabrics manufactured by the company are also used in-house to manufacture fabric and garments which provides better control on the quality of the finished garment. Further, the customer base of MOL is diversified, primarily due to its varied product profile. Being in operations since the last two decades, MOL has established tie-ups with various agents and strong apparel brands like M/s Cecil (Germany), M/s Schiesser (Germany), M/s Joy Sportwear (Germany), M/s Blair (USA), M/s. RNA Resources (Dubai), M/s Reitman (Canada), M/s Marubeni (Japan) etc.

Geographically diversified operations and low customer concentration risk: Being an export-oriented unit, the company derived almost half of its revenue from the export markets. The company exports its products majorly to Far East & Southeast Asian Countries, Europe, North America, Gulf and Middle East, Africa etc. Furthermore, there is low customer concentration risk as the company caters to a large customer base present across the globe.

Key Rating Weaknesses

Susceptibility of profitability margins to volatility in the raw material prices: The basic raw material consumed by MOL to produce yarn is cotton. Cotton prices, which are dependent on the government policies, effect of monsoon, etc. have been highly volatile in the past few years. Furthermore, yarn being a commodity, its price is also volatile and movement in yarn prices can also have an impact on the profitability margins of MOL's fabric and garment verticals.

Exposure to foreign currency fluctuation risk: MOL is exposed to foreign currency fluctuation risk as the company derives significant portion of its revenue from the export market. Thus, profitability margins of the company remain susceptible to any adverse movement in the foreign currency. The company also imports raw materials which provide the natural hedge to company to some extent. Further, the company hedges the balance forex risk through forward contracts (generally almost 100% of foreign currency exposure is hedged by the company), which mitigates the risk to some extent.

High competition in the garment segment from other export-based countries: In the garment segment, the company faces major competition from China, Bangladesh and other cheap export-based countries which sell garments at lower rates compared to India. Domestic competition has been growing in the garment segment with the international brands entering India. Moreover, the exporters affected by the slowdown in exports are diverting their capacity to the domestic market, thereby increasing competition, and affecting margins.

Industry Prospects: With structural shift in the international markets for specialty cotton-based yarns following the decision of the US to impose sanctions on Xinjiang- derived cotton exports from China, its likely to widen the export opportunity from India. China's specialty yarn exports are estimated to be ~200 billion dollars, the corresponding figure from India is a tenth of this figure. Even a 10 percent shift in exports from China to India could virtually double India's export of Specialty yarns.

Liquidity: Adequate

The company reported positive cash flow from operations during FY21 of Rs. 34.35 crore as against Rs. 37.04 crore during FY20. The current portion of long-term debt for FY22 is around Rs. 36.00 crores (scheduled repayment of term loans from banks) against projected gross cash accrual of around Rs.80 crore. Average maximum utilization of working capital utilization of MOL for trailing 12 months ending August 2021 stod at around ~82%, owing to working capital intensive nature of operations of company. During FY21, average working capital cycle of company stood at 70 days (PY: 71 days). The working capital cycle of the company remains modest on account of slightly high inventory days as company's major raw material cotton is cyclic in nature and company has to maintain sufficient level of inventory for the entire period. Further, company plans to modernize/ upgrade its existing infrastructure at Sarovar unit with setting up of new garment manufacturing units during FY22 and FY23 with total estimated cost of around Rs.73 crore which will be funded by term loans and internal accruals.

Analytical approach: Standalone

Applicable Criteria

CARE's Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
CARE's methodology for Short-term Instruments
CARE's methodology for Manufacturing Companies
Financial ratios – Non-Financial Sector
CARE's methodology for Cotton Yarn
CARE's Policy for Factoring Linkages Parent Sub JV Group
CARE's methodology for Liquidity analysis (Non-Financial Sector)

About the Company

Incorporated in 1989, MOL is a part of LNJ Bhilwara group. The company commenced production in 1992, with setting up of a 20,160 spindles cotton spinning plant for manufacturing of yarn which has increased over the years to 79,056 spindles. The company is engaged in the manufacturing of grey yarn (19,100 MTPA), dyed yarn (4,000 MTPA), knitted fabrics (6,500 MTPA), processed fabrics (7,200 MTPA) and ready-made garments (72 lac pieces per annum) with its manufacturing facilities located in Noida (U.P) and Khargone (M.P.). MOL had approached the CDR forum in July 2008 and the restructuring proposal / package was approved on March 26, 2009. Since then, MOL continues to service its debt as per the CDR terms.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	687.38	637.37
PBILDT	19.08	59.09
PAT	-15.28	12.53
Overall gearing (times)	3.20	2.43
Interest coverage (times)	1.22	3.57

A: Audited

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*
Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	June 2029	141.46	CARE BBB; Stable
Fund-based-Short Term		-	-	-	175.00	CARE A3
Non-fund-based - ST-BG/LC		-	-	-	28.00	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	141.46	CARE BBB; Stable	-	1)CARE BBB-; Negative (06-Oct-20)2)CARE BBB-; Stable (30-Jun-20)	1)CARE BBB; Stable (09-Sep-19)	1)CARE BBB; Stable (13-Mar-19)
2	Fund-based-Short Term	ST	175.00	CARE A3	-	1)CARE A3 (06-Oct-20)2)CARE A3 (30-Jun-20)	1)CARE A3+ (09-Sep-19)	1)CARE A3+ (13-Mar-19)
3	Non-fund-based - ST-BG/LC	ST	28.00	CARE A3	-	1)CARE A3 (06-Oct-20)2)CARE A3 (30-Jun-20)	1)CARE A3+ (09-Sep-19)	1)CARE A3+ (13-Mar-19)

** Long Term / Short Term*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-Short Term	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.